

LAKE CHARTER TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

December 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1965, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lake Charter Township	County Berrien
Audit Date December 31, 2004	Opinion Date June 18, 2005	Date Accountant Report Submitted to State: June 23, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit's are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more if this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38. 1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the over funding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) McMurray, Marks & Edmunds			
Street Address 805 Van Brunt Avenue	City St. Joseph	State MI	Zip 49085
Accountant Signature 			

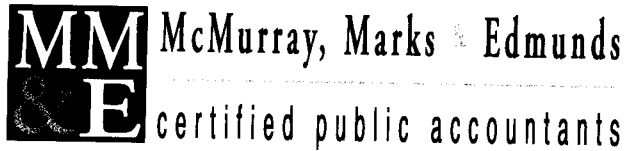
**LAKE CHARTER TOWNSHIP
Township Board Members
December 31, 2004**

TOWNSHIP BOARD

John Gast	Supervisor
Gloria Payne	Clerk
Betty Korcek	Treasurer
Terry Eichler	Trustee
William Geukes	Trustee
Fritz Wolf	Trustee
Tom Carson	Trustee

**LAKE CHARTER TOWNSHIP
Township Board Members
December 31, 2004**

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2- 8
Government-Wide Statement of Net Assets	9
Government-Wide Statement of Activities	10
Governmental Fund Balance Sheet	11
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Proprietary Fund Statement of Net Assets	13
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets	14
Proprietary Fund Statement of Cash Flows	15
Fiduciary Funds – Statement of Net Assets	16
Notes to the Financial Statements	17 - 29
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	30
Budgetary Comparison Schedule – Capital Projects Fund	31
OTHER SUPPLEMENTAL INFORMATION	
Combining Balance Sheet—Non-Major Governmental Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Non-Major Governmental Funds	33



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Lake Charter Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Charter Township, Michigan (the "Township"), as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Charter Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Charter Township, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Lake Charter Township, Michigan has implemented a new financial reporting model, as required by Government Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and page 34 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Charter Township, Michigan basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

McMurray, Marks & Edmunds

McMurray, Marks & Edmunds
June 18, 2005

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net assets decreased 1.5% from a year ago—decreasing from \$29,752,259 to \$29,308,870. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$380,373 during the year, while the business-type activities experienced a decrease in net assets of \$823,762.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Lake Charter Township Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as ambulance, building, and liquor.	Activities the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets > Statement of revenues, expenditures, and changes in fund balances. > Statement of cash flows	> Statement of fiduciary net assets > Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

Government-wide Statements, Concluded

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities**—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- **Business-type activities**—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building or liquor sales tax monies) or to show that it is properly using certain taxes and grants (i.e. ambulance monies).

The Township has the following three kinds of funds:

- ***Governments Funds***—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ***Proprietary Funds***—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- ***Fiduciary Funds***—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$29,308,870. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 5,987,446	\$ 5,028,491	\$ 11,015,937
Capital Assets	2,885,269	17,149,970	20,035,239
Total Assets	<u>\$ 8,872,715</u>	<u>\$ 22,178,461</u>	<u>\$ 31,051,176</u>
Long-term debt outstanding	\$ -	\$ -	\$ -
Other liabilities	1,587,897	154,409	1,742,306
Total Liabilities	<u>\$ 1,587,897</u>	<u>\$ 154,409</u>	<u>\$ 1,742,306</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,885,269	\$ 17,149,970	\$ 20,035,239
Unrestricted	4,399,549	4,874,082	9,273,631
Total Net Assets	<u>\$ 7,284,818</u>	<u>\$ 22,024,052</u>	<u>\$ 29,308,870</u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$380,373 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$4,399,549.

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for services	\$ 50,067	\$ 933,887	\$ 983,954
General Revenues			
Property Taxes	1,411,704	-	1,411,704
State Shared Revenues	207,086	-	207,086
Interest and Rentals	254,789	28,551	283,340
Miscellaneous	30,650	-	30,650
Transfers	(39,270)	39,270	-
Special Items	-	29,532	29,532
Total Revenues	<u>\$ 1,915,026</u>	<u>\$ 1,031,240</u>	<u>\$ 2,946,266</u>
Program Expenses			
General Government	\$ 855,420	\$ -	\$ 855,420
Public Safety	422,255	-	422,255
Public Works	13,047	-	13,047
Recreation and Culture	39,838	-	39,838
Sanitation	139,882	-	139,882
Library	64,211	-	64,211
Water	-	1,330,502	1,330,502
Sewer	-	524,500	524,500
Total Expenses	<u>\$ 1,534,653</u>	<u>\$ 1,855,002</u>	<u>\$ 3,389,655</u>
Change in Net Assets	<u>\$ 380,373</u>	<u>\$ (823,762)</u>	<u>\$ (443,389)</u>

The Township's net assets continue to remain healthy. The decrease in net assets is largely due to depreciation in the business-type activities. The Township has decided to not charge current customers of the sewer and water system for depreciation.

Governmental Activities

The Township's total governmental revenues were consistent with prior year and expenses increased largely due to \$706,000 of capital outlay including a new fire truck and park and township hall improvements. The capital outlay was partially funded by a \$369,000 transfer from the Capital Projects Fund.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to the Township residents from our water plant and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2004, operating revenues decreased by \$21,000 due to a decrease in usage offset slightly by an increase in tap-in fees, with expenses increasing by \$107,000 largely due to repairs on the water reservoir.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2004 included the General and Capital Projects Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, library, sanitation, and other. The most significant is public safety, which incurred expenses of \$823,685 in 2004. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The change in budget did adjust total revenues and expenditures. The primary adjustments were related to capital projects on the expenditure side and the funding of capital projects on the revenue side.

Capital Asset and Debt Administration

At the end of June 30, 2004, the Township had investment in capital assets for its governmental and business-type activities of \$20,035,239 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets at December 31, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Long-Term Debt

At the end of the current fiscal year, the Township had no debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenue over expenditures in the governmental funds and the business-type activity funds will attempt to have positive cash flows. The Township is currently evaluating their water and sewer rates as it relates to maintaining a positive cash flow.

Comparative Information

The financial report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Township expects to present full comparative statements.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,839,047	\$ 512,631	\$ 2,351,678
Certificates of Deposit	2,593,599	1,198,449	3,792,048
Other Investments	23,701	-	23,701
Receivables, Net	36,246	95,469	131,715
Inventory	-	129,730	129,730
Internal Balances	1,484,396	-	1,484,396
Interest Receivable	10,457	9,131	19,588
Due From Other Governments	-	196,183	196,183
Equity Investment	-	2,886,898	2,886,898
Capital Assets, Net	2,885,269	17,149,970	20,035,239
Total Assets	<u>\$ 8,872,715</u>	<u>\$ 22,178,461</u>	<u>\$ 31,051,176</u>
Liabilities			
Accounts Payable	\$ 93,344	\$ 113,059	\$ 206,403
Accrued Scik Pay	17,642	41,350	58,992
Internal Balances	-	-	-
Deferred Revenue	1,476,495	-	1,476,495
Provision for Uncollectible Taxes	416	-	416
Total Liabilities	<u>\$ 1,587,897</u>	<u>\$ 154,409</u>	<u>\$ 1,742,306</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	\$ 2,885,269	\$ 17,149,970	\$ 20,035,239
Unrestricted	4,399,549	4,874,082	9,273,631
Total Net Assets	<u>\$ 7,284,818</u>	<u>\$ 22,024,052</u>	<u>\$ 29,308,870</u>

LAKE CHARTER TOWNSHIP

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

December 31,,2004

Net (Expense) Revenue and Changes in Net Assets

Functions/Programs	Primary Government				
	Program Revenues	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government					Total
<i>Governmental Activities</i>					
General Government					
Public Safety	\$ 855,420	21,752	\$ -	\$ (833,668)	\$ (833,668)
Public Works	422,255	28,315	-	(393,940)	(393,940)
Recreation and Culture	13,047	-	-	(13,047)	(13,047)
Sanitation	39,838	-	-	(39,838)	(39,838)
Library	139,882	-	-	(139,882)	(139,882)
Total Governmental Activities	64,211	-	-	(64,211)	(64,211)
<i>Business-Type Activities</i>					
Water	\$ 1,534,653	\$ 50,067	\$ -	\$ (1,484,586)	\$ (1,484,586)
Sewer	1,330,502	700,117	-	\$ (630,385)	\$ (630,385)
Total Business-Type Activities	524,500	233,770	-	(290,730)	(290,730)
	\$ 1,855,002	\$ 933,887	\$ -	\$ (921,115)	\$ (921,115)
Total Primary Government	\$ 3,389,655	\$ 983,954	\$ -	\$ (1,484,586)	\$ (2,405,701)

General Revenues

Property Taxes	\$ 1,411,704	\$ -	\$ 1,411,704
State Shared Revenues	207,086	-	207,086
Interest and Rentals	254,789	28,551	283,340
Miscellaneous	30,650	-	30,650
Transfers	(39,270)	39,270	-
<i>Special items-</i>			
Income from Joint Venture	-	29,532	29,532
Total General Revenues and special items	\$ 1,864,959	\$ 97,353	\$ 1,962,312
Change in net assets	\$ 380,373	\$ (823,762)	\$ (443,389)
Net Assets-Beginning	6,904,445	22,847,814	29,752,259
Net Assets-Ending	\$ 7,284,818	\$ 22,024,052	\$ 29,308,870

LAKE CHARTER TOWNSHIP

GOVERNMENTAL FUND BALANCE SHEET

December 31, 2004

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 933,387	\$ 904,654	\$ 1,006	\$ 1,839,047
Certificate of Deposits (maturity > three months)	602,050	1,972,983	18,566	2,593,599
Other Investments	23,701	-	-	23,701
Receivables	36,246	-	-	36,246
Interest Receivable	8,108	2,021	328	10,457
Due from other governmental funds	-	-	6,800	6,800
Due from Fiduciary Funds	1,484,396	-	-	1,484,396
Total Assets	<u>\$ 3,087,888</u>	<u>\$ 2,879,658</u>	<u>\$ 26,700</u>	<u>\$ 5,994,246</u>
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ 92,381	\$ -	\$ 963	\$ 93,344
Accrued Sick Pay	7,587	-	10,055	17,642
Deferred Taxes	1,476,495	-	-	1,476,495
Due to other governmental funds	6,800	-	-	6,800
Provision for Uncollectible Taxes	416	-	-	416
Total Liabilities	<u>\$ 1,583,679</u>	<u>\$ -</u>	<u>\$ 11,018</u>	<u>\$ 1,594,697</u>
Fund Balance				
Unreserved:				
Designated	\$ -	\$ 286,921	\$ -	\$ 286,921
Undesignated	1,504,209	2,592,737	15,682	4,112,628
Total Fund Equity	<u>\$ 1,504,209</u>	<u>\$ 2,879,658</u>	<u>\$ 15,682</u>	<u>\$ 4,399,549</u>
Total Liabilities and Fund Equity	<u>\$ 3,087,888</u>	<u>\$ 2,879,658</u>	<u>\$ 26,700</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

* Capital assets used in governmental activities are not financial resources and are not reported in the funds

2,885,269

Net Assets of Governmental Activities

\$ 7,284,818

LAKE CHARTER TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

December 31, 2004

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,411,704	\$ -	\$ -	\$ 1,411,704
Licenses and Permits	28,315	-	-	28,315
State Grants	207,086	-	-	207,086
Charges for Services	-	-	21,752	21,752
Interest and Rentals	152,479	101,791	519	254,789
Other Revenues	30,650	-	-	30,650
Total Revenues	<u>\$ 1,830,234</u>	<u>\$ 101,791</u>	<u>\$ 22,271</u>	<u>\$ 1,954,296</u>
Expenditures				
Current				
General Government	\$ 667,401	\$ -	\$ 131,999	\$ 799,400
Public Safety	823,685	-	-	823,685
Public Works	13,047	-	-	13,047
Recreation and Culture	217,872	-	-	217,872
Sanitation	139,882	-	-	139,882
Library	64,211	-	-	64,211
Debt Service	-	-	19,741	19,741
Total Expenditures	<u>\$ 1,926,098</u>	<u>\$ -</u>	<u>\$ 151,740</u>	<u>\$ 2,077,838</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ (95,864)</u>	<u>\$ 101,791</u>	<u>\$ (129,469)</u>	<u>\$ (123,542)</u>
Other Financing Sources (Uses)				
Operating Transfers In	\$ 369,016	\$ -	\$ 108,882	\$ 477,898
Operating Transfers Out	(108,882)	(369,016)	(39,270)	(517,168)
Total Other Financing Sources(Uses)	<u>\$ 260,134</u>	<u>\$ (369,016)</u>	<u>\$ 69,612</u>	<u>\$ (39,270)</u>
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses	<u>\$ 164,270</u>	<u>\$ (267,225)</u>	<u>\$ (59,857)</u>	<u>\$ (162,812)</u>
Fund Balance-January 1, 2004	<u>1,339,939</u>	<u>3,146,883</u>	<u>75,539</u>	
Fund Balance-December 31, 2004	<u>\$ 1,504,209</u>	<u>\$ 2,879,658</u>	<u>\$ 15,682</u>	

Amounts reported for governmental activities in the statement of activities are different because:

* Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

523,444

* Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

19,741

Change in Net Assets of Governmental Activities

\$ 380,373

LAKE CHARTER TOWNSHIP**PROPRIETARY FUND STATEMENT OF NET ASSETS
December 31, 2004**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 107,293	\$ 405,338	\$ 512,631
Certificates of Deposit (maturity > three months)	592,107	606,342	1,198,449
Receivables, net	47,908	47,561	95,469
Inventory	129,730	-	129,730
Interest Receivable	8,413	718	9,131
Due from other governments	-	196,183	196,183
Total Current Assets	<u>\$ 885,451</u>	<u>\$ 1,256,142</u>	<u>\$ 2,141,593</u>
Noncurrent Assets			
Equity Investment	\$ -	\$ 2,886,898	\$ 2,886,898
Capital Assets	7,916,082	9,233,888	17,149,970
Total Noncurrent Assets	<u>\$ 7,916,082</u>	<u>\$ 12,120,786</u>	<u>\$ 20,036,868</u>
Total Assets	<u>\$ 8,801,533</u>	<u>\$ 13,376,928</u>	<u>\$ 22,178,461</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 79,827	\$ 33,232	\$ 113,059
Accrued Sick Pay	40,698	652	41,350
Total Current Liabilities	<u>\$ 120,525</u>	<u>\$ 33,884</u>	<u>\$ 154,409</u>
Net Assets			
Invested in Capital Assets-Net of related debt	\$ 7,916,082	\$ 9,233,888	\$ 17,149,970
Unrestricted	764,926	4,109,156	4,874,082
Total Net Assets	<u>\$ 8,681,008</u>	<u>\$ 13,343,044</u>	<u>\$ 22,024,052</u>

LAKE CHARTER TOWNSHIP**PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**
December 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Water Sales	\$ 645,418	\$ -	\$ 645,418
Sewage Disposal Services	-	208,295	208,295
Connections and Other Fees	54,699	25,475	80,174
Total Operating Revenues	<u>\$ 700,117</u>	<u>\$ 233,770</u>	<u>\$ 933,887</u>
Operating Expenses			
Personal Services	\$ 412,854	\$ 17,655	\$ 430,509
Contractual Services	-	260,352	260,352
Repairs and Maintenance	146,369	17,565	163,934
Other Supplies and Expenses	371,725	5,632	377,357
Depreciation	399,554	223,296	622,850
Total Operating Expenses	<u>\$ 1,330,502</u>	<u>\$ 524,500</u>	<u>\$ 1,855,002</u>
Operating Loss	<u>\$ (630,385)</u>	<u>\$ (290,730)</u>	<u>\$ (921,115)</u>
Nonoperating Revenues(Expenses)			
Interest and Investment Revenue	\$ 19,090	\$ 9,461	\$ 28,551
Income from Joint Venture	-	29,532	29,532
Total Nonoperating Revenues(Expenses)	<u>\$ 19,090</u>	<u>\$ 38,993</u>	<u>\$ 58,083</u>
Loss Before Contributions and Transfers In(Out)	<u>\$ (611,295)</u>	<u>\$ (251,737)</u>	<u>\$ (863,032)</u>
Transfers In(Out)	<u>-</u>	<u>39,270</u>	<u>39,270</u>
Change in Net Assets	<u>\$ (611,295)</u>	<u>\$ (212,467)</u>	<u>\$ (823,762)</u>
Total Net Assets-Beginning	\$ 9,292,303	\$ 13,386,749	\$ 22,679,052
Prior-period adjustment--error in recording of equity investment	-	168,762	168,762
Total Net Assets-Beginning as restated	<u>\$ 9,292,303</u>	<u>\$ 13,555,511</u>	<u>\$ 22,847,814</u>
Total Nets Assets-Ending	<u>\$ 8,681,008</u>	<u>\$ 13,343,044</u>	<u>\$ 22,024,052</u>

LAKE CHARTER TOWNSHIP**PROPRIETARY FUND STATEMENT OF CASH FLOWS****December 31, 2004**Proprietary
Funds

Cash Flows From Operating Activities	
Receipts from Customers	\$ 937,543
Payments to Suppliers	(751,490)
Payments to Employees	(424,747)
Internal Activity-Receipts from Other Funds	39,270
Other Receipts(Payments)	-
Net Cash Used by Operating Activities	<u>\$ (199,424)</u>
Cash Flows From Noncapital Financing Activities	
Operating Subsidies and Transfers from Other Funds	<u>\$ -</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of Capital Assets	\$ -
Principal paid on Capital Debt	-
Interest paid on Capital Debt	-
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>\$ -</u>
Cash Flow From Investing Activities	
Interest and Dividends	\$ 28,551
Other Receipts(Payments)	(179,851)
Net Cash Used by Investing Activities	<u>\$ (151,300)</u>
Net Decrease in Cash and Cash Equivalents	\$ (350,724)
Cash and Cash Equivalents-Beginning	<u>863,355</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 512,631</u></u>
Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities	
Operating Loss	\$ (921,115)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	622,850
Income from Joint Venture	(29,532)
Change in Assets and Liabilities	
Receivables, net	3,656
Inventory	-
Interest Receivable	(1,036)
Due from other governments	69,642
Accounts Payable	50,153
Accrued Sick Pay	5,958
Net Cash Used by Operating Activities	<u><u>\$ (199,424)</u></u>

LAKE CHARTER TOWNSHIP**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS****December 31, 2004****Assets**

Cash and cash equivalents

Taxes Receivable

Total Assets

Agency Funds
Trust & Agency
Fund

\$ 451,051

6,217,735

\$ 6,668,786**Liabilities**

Due to other governmental funds:

General Fund

Due to other governmental units

Total Liabilities

\$ 1,484,396

5,184,390

\$ 6,668,786

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Charter Township (the "Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected seven-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at December 31, 2004.

Discretely Presented Component Units— The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. There were no such units at December 31, 2004.

Jointly Governed Organization—The Township has no jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED
B. Government-Wide and Fund Financial Statements, concluded

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED
C. Government-Wide and Fund Financial Statements, continued

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004 and it is recognized as revenue in the ensuing year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Township totaled \$613.8 million, on which ad valorem taxes levied which consisted of 2.3 mills for the Township's operating purposes.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund is used by the Township to fund and utilize for future capital projects.

The Township reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

DECEMBER 31, 2004

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED
C. Government-Wide and Fund Financial Statements, concluded

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED
D. Assets, Liabilities, and Net Assets or Equity, continued

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets at June 30, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the Township's policy to permit employees to accumulate earned and unused sick and vacation pay benefits. There are liabilities for unpaid accumulated sick leave since the government does have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED
D. Assets, Liabilities, and Net Assets or Equity, concluded

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

E. Accounting Change

Effective January 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basis Financial Statements—and Management's Discussions and Analysis—for State and Local Governments ("GASB 34"). Changes to the Township's financial statements as a result of GASB 34 are as follows:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities have been provided.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing January 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by January 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government-Elections	\$ 6,700	\$ 7,209	\$ (509)
Public Safety - Police	150,000	159,616	(9,616)
Public Safety - Ambulance	69,918	70,574	(656)
Transfer to Other Funds	108,503	108,882	(379)
Capital Projects Fund			
Transfer to Other Funds	365,207	369,016	(3,809)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated several banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

At December 31, 2004, the Township's deposits and investments were reported in the basis financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 1,839,047	\$ 512,631	\$ 2,351,678	\$ 451,051
Certificate of deposits	2,593,599	1,198,449	3,792,048	-
Total	<u>\$ 4,432,646</u>	<u>\$ 1,711,080</u>	<u>\$ 6,143,726</u>	<u>\$ 451,051</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts, C/D's)	\$ 2,350,969	\$ 451,051
Certificate of Deposits > 90 days	3,792,048	-
Petty Cash and Cash on Hand	709	-
	<u>\$ 6,143,726</u>	<u>\$ 451,051</u>

The bank balance of the primary government's and fiduciary deposits is \$6,552,321, of which \$805,057 is covered by federal depository insurance.

The Township has an investment in a non-profit ambulance service. This service is jointly owned by several other local units of governments and is uninsured and unregistered. The carrying amount (\$23,701) and market value are considered to be the same.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Water and Sewer	Non-Major Funds	Fiduciary Funds	Total
Taxes Receivable	\$ -	\$ -	\$ -	\$ -	\$ 6,217,735	\$ 6,217,735
Accounts	36,246	-	95,469	-	-	131,715
Interest Receivable	8,108	2,021	9,131	328	-	19,588
Intergovernmental	1,484,396	-	-	-	-	1,484,396
Due From Other						
Governments	-	-	196,183	-	-	196,183
Less: Allowance for						
Uncollectible	-	-	-	-	-	-
Net Receivables	<u>\$ 1,528,750</u>	<u>\$ 2,021</u>	<u>\$ 300,783</u>	<u>\$ 328</u>	<u>\$ 6,217,735</u>	<u>\$ 8,049,617</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 453,040	\$ 96,575	\$ -	\$ 549,615
Capital assets being depreciated				
Land improvements	\$ 447,140	\$ 51,545	\$ -	\$ 498,685
Buildings and building improvements	2,588,393	143,813	-	2,732,206
Vehicles	780,670	401,429	(19,888)	1,162,211
Equipment	557,774	12,363	(17,386)	552,751
Subtotal	\$ 4,373,977	\$ 609,150	\$ (37,274)	\$ 4,945,853
Less: Accumulated Depreciation	(2,465,192)	(182,281)	37,274	(2,610,199)
Net Capital Assets Being Depreciated	\$ 1,908,785	\$ 426,869	\$ -	\$ 2,335,654
Governmental activities capital total	\$ 2,361,825	\$ 523,444	\$ -	\$ 2,885,269
capital assets-net of depreciation				

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities;	
General Governments	\$182,281

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital assets being depreciated				
Infrastructure	\$20,308,898	\$ -	\$ -	\$20,308,898
Buildings	7,806,900	-	-	7,806,900
Machinery and equipment	758,090	-	-	758,090
Subtotal	\$28,873,888	\$ -	\$ -	\$28,873,888
Less: Accumulated Depreciation	(11,116,068)	(622,850)	-	(11,738,918)
Net capital assets being depreciated	\$17,757,820	\$(622,850)	\$ -	\$17,134,970
Business-Type Activities capital total	\$17,772,820	\$(622,850)	\$ -	\$17,149,970
capital assets-net of depreciation				

Depreciation was charged to programs for the business-type activities as follows:

Water	\$ 399,554
Sewer	223,296
	<u>\$ 622,850</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
General	Trust & Agency	\$ 1,484,396
Cemetery	General	6,800
Total		<u><u>\$ 1,491,196</u></u>

Inter fund transfers consisted of a \$369,016 transfer from Capital Projects to General Fund, a \$108,882 transfer from General to Cemetery Fund and a \$39,270 transfer from Debt Service to Sewer Fund.

NOTE 7. DESIGNATED NET ASSETS

The Township had the following designated net assets:

Governmental Activities:

Water Plant Capital Improvements	<u><u>\$ 286,921</u></u>
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NOTE 8. LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Contracts Payable						
Galien River Sanitation System	N/A	2004	<u>\$ 19,741</u>	<u>\$ (19,741)</u>	<u>\$ -</u>	<u>\$ -</u>

There was no interest expense in 2004.

DECEMBER 31, 2004

NOTE 9. EQUITY INVESTMENT (PROPRIETARY FUND)

The Township participates with Chikaming and New Buffalo Townships, and the Cities of New Buffalo and Bridgman (admitted under 2000 agreement) in a joint venture investment known as the GRSD Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chikaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	<u>100.00%</u>

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2004, with a report thereto dated April 29, 2005:

Assets	\$ 15,849,998
Liabilities	709,825
Net Assets	15,140,173
Operating Revenues	1,288,434
Operating Expenses	1,275,128
Nonoperating Revenues	164,598
Net Earnings	177,904

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was \$2,886,898 as of December 31, 2004.

NOTE 10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11. PRIOR PERIOD ADJUSTMENT

Net Assets at the beginning of 2004 in the sewer fund have been adjusted to correct an error made in a prior year for the adjusting the equity investment. The error had no effect on change in net assets for fiscal year 2004.

NOTE 12. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of building electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period ended 1/1/2004 to 12/31/2004
Revenues:	\$ 28,315
Fees Charged	65,167
Expenses	<u><u>\$ (36,852)</u></u>

NOTE 13. ECONOMIC DEPENDENCY

One taxpayer in the Township, American Electric Power, accounts for 94% of the total non-homestead taxable value of real and personal property in the Township.

NOTE 14. POST EMPLOYMENT BENEFITS

The Township does not provide post employment benefits for any of its employees.

DECEMBER 31, 2004

NOTE 15. EMPLOYEE RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN

EMPLOYMENT RETIRE PLAN

The Township provides pension benefits for all of its township board members and salaried employees over the age of 18 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township's annual contribution to the plan is equal to 8% of compensation. Employees are required to make an after tax contribution of 2% of compensation and may make additional voluntary after tax contributions ranging from 1% to 10% of compensation.

Elected officials who utilize the plan, in lieu of their compensation being subject to social security, use the above schedule or 7.5% of pay which ever is greater.

Benefits attributable to Township contributions shall be 100% vested on death, total disability or normal retirement. Upon early retirement or on termination of service, other than because of death, disability or normal retirement, such benefits shall vest upon completion of 20 months of service.

The Township's total payroll in 2004 was \$766,406. The contributions were calculated using the criteria and schedule shown above. The required contributions for 2004 for both the Township, including any fees, and employees were made and amounted to \$45,424 and \$11,281 respectively.

REQUIRED SUPPLEMENTAL INFORMATION

LAKE CHARTER TOWNSHIP**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
December 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 1,339,939	\$ 1,339,939	\$ 1,339,939	
Resources(Inflows)				
Taxes	\$ 1,411,136	\$ 1,442,233	\$ 1,411,704	\$ (30,529)
Licenses and Permits	20,000	24,175	28,315	4,140
State Grants	226,697	207,022	207,086	64
Interest and Rentals	354,500	239,880	152,479	(87,401)
Other Revenues	28,615	29,434	30,650	1,216
Transfer from Other Funds	-	365,207	369,016	3,809
Amounts Available for Appropriation	\$ 2,040,948	\$ 2,307,951	\$ 2,199,250	\$ (108,701)
Charges to Appropriations(Outflows)				
General Government				
Township Board	\$ 276,376	\$ 304,818	\$ 286,766	\$ 18,052
Supervisor	55,997	56,576	53,024	3,552
Elections	2,700	6,700	7,209	(509)
Police Post	52,150	59,844	48,570	11,274
Clerk	46,757	47,394	45,087	2,307
Board of Review	950	950	468	482
Treasurer	38,817	41,617	37,792	3,825
Township Hall and grounds	176,883	190,325	180,187	10,138
Board of Appeals	2,750	2,750	1,970	780
Planning Commission	8,590	8,590	6,328	2,262
Public Safety				
Fire	232,902	584,834	528,328	56,506
Police	150,000	150,000	159,616	(9,616)
Ambulance	69,918	69,918	70,574	(656)
Building and Electrical Inspections	89,354	97,783	65,167	32,616
Public Works				
Highways and Streets	133,250	133,520	13,047	120,473
Recreation and Culture				
Parks and recreation	265,307	265,194	217,872	47,322
Sanitation	83,000	156,000	139,882	16,118
Library	65,000	65,000	64,211	789
Transfer to Other Funds	145,949	108,503	108,882	(379)
Total Charges to Appropriations	\$ 1,896,650	\$ 2,350,316	\$ 2,034,980	\$ 315,336
Budgetary Fund Balance-December 31, 2004	\$ 1,484,237	\$ 1,297,574	\$ 1,504,209	

LAKE CHARTER TOWNSHIP**CAPITAL PROJECTS FUND
December 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	<u>\$ 3,146,883</u>	<u>\$ 3,146,883</u>	<u>\$ 3,146,883</u>	
Resources(Inflows)				
Interest	\$ -	\$ 79,508	\$ 101,791	\$ 22,283
Amounts Available for Appropriation	<u>\$ -</u>	<u>\$ 79,508</u>	<u>\$ 101,791</u>	<u>\$ 22,283</u>
Charges to Appropriations(Outflows)				
Transfer to Other Funds	\$ -	\$ 365,207	\$ 369,016	\$ (3,809)
Total Charges to Appropriations	<u>\$ -</u>	<u>\$ 365,207</u>	<u>\$ 369,016</u>	<u>\$ (3,809)</u>
Budgetary Fund Balance-December 31, 2004	<u><u>\$ 3,146,883</u></u>	<u><u>\$ 2,861,184</u></u>	<u><u>\$ 2,879,658</u></u>	

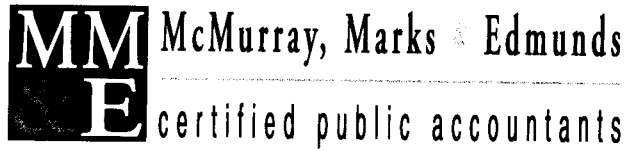
OTHER SUPPLEMENTAL INFORMATION

LAKE CHARTER TOWNSHIP**COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2004**

	Cemetery <u>Fund</u>	Debt Service <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
Assets			
Cash and Cash Equivalents	\$ 1,006	\$ -	\$ 1,006
Certificates of Deposit (maturity > three months)	16,028	2,538	18,566
Interest Receivable	328	-	328
Due from other governmental funds	6,800	-	6,800
Total Assets	<u>\$ 24,162</u>	<u>\$ 2,538</u>	<u>\$ 26,700</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 963	\$ -	\$ 963
Accrued Sick Pay	10,055	-	10,055
Total Liabilities	<u>\$ 11,018</u>	<u>\$ -</u>	<u>\$ 11,018</u>
Fund Balance			
Unreserved:			
Designated	\$ -	\$ -	\$ -
Undesignated	13,144	2,538	15,682
Total Fund Equity	<u>\$ 13,144</u>	<u>\$ 2,538</u>	<u>\$ 15,682</u>
Total Liabilities and Fund Equity	<u>\$ 24,162</u>	<u>\$ 2,538</u>	<u>\$ 26,700</u>

LAKE CHARTER TOWNSHIP**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2004**

	Cemetery Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues			
Taxes and Penalties	\$ -	\$ -	\$ -
Charges for Services	21,752	-	21,752
Interest and Rentals	517	2	519
Total Revenues	<u>\$ 22,269</u>	<u>\$ 2</u>	<u>\$ 22,271</u>
Expenditures			
Current			
General Government	\$ 131,999	\$ -	\$ 131,999
Debt Service - Principal Retirement	-	19,741	19,741
Total Expenditures	<u>\$ 131,999</u>	<u>\$ 19,741</u>	<u>\$ 151,740</u>
Excess of Revenues Over Expenditures	<u>\$ (109,730)</u>	<u>\$ (19,739)</u>	<u>\$ (129,469)</u>
Other Financing Sources(Uses)			
Operating Transfers In	\$ 108,882	\$ -	\$ 108,882
Operating Transfers Out	-	(39,270)	(39,270)
Total Other Financing Sources(Uses)	<u>\$ 108,882</u>	<u>\$ (39,270)</u>	<u>\$ 69,612</u>
Excess of Revenue and Other Sources Over(Under) Expenditures and Other Uses	<u>\$ (848)</u>	<u>\$ (59,009)</u>	<u>\$ (59,857)</u>
Fund Balance-January 1, 2004	13,992	61,547	75,539
Fund Balance-December 31, 2004	<u>\$ 13,144</u>	<u>\$ 2,538</u>	<u>\$ 15,682</u>



June 18, 2005

To the Township Board of
Lake Charter Township
New Buffalo, MI

In planning and performing our audit of the financial statement of Lake Charter Township ("Township") for the year ended December 31, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

SEGREGATION OF DUTIES

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

REVIEW GOVERNMENT ACCOUNTING STANDARD BOARD ("GASB") STATEMENT #40- DEPOSIT AND INVESTMENT RISK DISCLOSURES.

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by the investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should also be part of the disclosure.

The Township should review its investment policies to determine all common risk areas are identified and the appropriate level of risk for each area is quantified.

ADOPTION OF CAPITALIZATION POLICY

With the Township's adoption of G.A.S.B. 34 requirements, it is necessary for Township assets in all funds to be properly tracked, recorded, and depreciated in accordance with prescribed accounting policies

We recommend that the Township adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one (1) year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciated and any salvage value it may have.

The report is intended solely for the information and use of Lake Charter Township management, and others within the Township, and is not intended to be and should not be used by anyone other than these parties.

We appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

McMurray, Marks & Edmunds

McMurray, Marks & Edmunds
St. Joseph, MI